

Hang Seng China New Economy Index ETF (3176.HK)

Managed by Hang Seng Investment | Promoted by HSBC Asset Management

Fund Overview

June 2022

Important information:

- ◆ The investment objective of Hang Seng China New Economy Index ETF ("HSCNE ETF") is to match, as closely as practicable, before fees and expenses, the HKD denominated total return performance (net of withholding tax) of the Hang Seng China New Economy Index (the "Index") through investing primarily in the constituent securities of the index.
- ◆ As "HSCNE ETF" invests primarily in securities of companies classified under the industries that are perceived as "New Economy" under the Hang Seng Industry Classification System, an investment in "HSCNE ETF" may be more vulnerable to price fluctuations of securities of companies in these industries and other factors that particularly affect these industries as compared to an investment in a fund having a more diverse portfolio of investments. In addition, the valuation of securities associated with "New Economy" industries may be higher than those of more traditional industries, and "HSCNE ETF" may suffer a loss when there is a revaluation of these securities or subject to significant instability and fluctuations in valuations.
- ◆ As "HSCNE ETF"'s investments are concentrated in a specific geographical location (i.e. the PRC), the value of "HSCNE ETF" may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the PRC market.
- ◆ "HSCNE ETF" is also subject to investment risk, currency and exchange rate control risk, equity market risk, PRC market and concentration risks, risks relating to investments in "New Economy" companies, risks associated with investments in companies with weighted voting rights, Stock Connect risk, U.S. market risk/ADRs associated risk, PRC tax risk, RMB currency and conversion risk relating to RMB denominated securities, trading risk, trading differences risk, passive investment risk, reliance on market maker risk, tracking error risk, termination risk and reliance on the same group risk.
- ◆ The Manager may at its discretion pay dividend out of capital[^] or effectively out of the capital of the Fund. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any such capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Unit.
- ◆ Investments involve risks and investors may lose substantial part of their investment in "HSCNE ETF".
- ◆ Investors should not only base on this material alone to make investment decisions, but should read the HSCNE ETF's offering documents (including the full text of the risk factors stated therein) in detail.

[^] The Manager may at its discretion pay distribution out of gross income while charging/paying all or part of the Fund's fees and expenses to/out of the capital of the Fund (resulting in an increase in distributable income for the payment of distribution by the Fund), and thereby effectively pay distributions out of the capital of the Fund.

Objective

Hang Seng China New Economy Index ETF ("the Fund") aims to match, before fees and expenses, the HKD denominated total return performance (net of withholding tax) of the Hang Seng China New Economy Index (the "Index") through investing primarily in the constituent securities of the Index.

Why consider?



Captures the new perspective: harness the vast opportunities arising from China's new driving forces of economy growth and digitalisation



China's long-term policies: the strategic goals and policies may benefit New Economy related corporates such as clean energy and high-end manufacturing



100 in ONE: the Index provides access to top 100 companies by market capitalisation

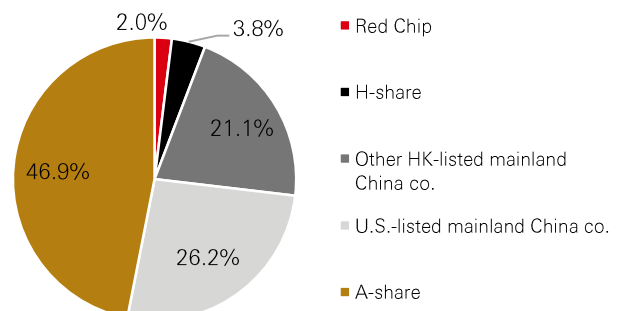


Dedicated team: dedicated team of index investment experts with 25 years of experience in local passive investment strategy

About the Index

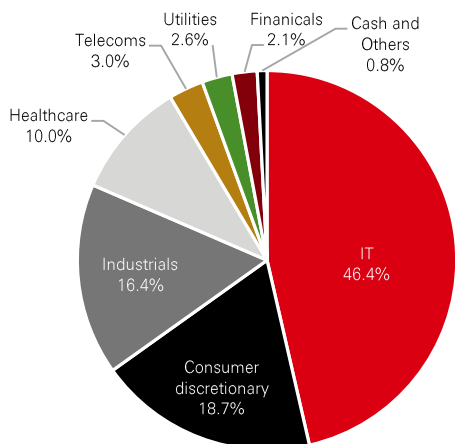
The Hang Seng China New Economy Index covers various share types of mainland China enterprises with exposure to 35 selected sub-sectors and 3 industries that perceived as "New Economy"¹

Share type allocation²



Source: Hang Seng Indexes Company Limited, Hang Seng Investment Management. Note: 1. Under the current selection criteria based on the sector requirement, the Index covers selected sub-sectors under industries in Hang Seng Industry Classification System in information technology, consumer discretionary (i.e. companies in the business of non-essential consumer goods and services), healthcare, telecommunications, industrials and utilities, and certain companies under industries in consumer discretionary, consumer staples (i.e. companies in the business of essential consumer goods and services and daily necessities) and financials which fulfill the corresponding criteria (please refer to the section "Sector Requirement" in the relevant Appendix to the Prospectus for details). 2. H-share, Red-chip and P-chip constituents in Hang Seng Composite Index and A-Shares that are eligible for Stock Connect Scheme, and U.S.-listed China companies incorporated in or headquartered in mainland China (in the form of common stocks or ADRs), as of 30 June 2022.

Industry allocation³



3. Source: Hang Seng Investment Management, as of 30 June 2022.

4. Estimation only, investors should refer to the Fund's website on the actual tracking difference.

5. Estimation only and represents the sum of the estimated ongoing expenses chargeable to the units over a 12-month period expressed as a percentage of the Fund's estimate average NAV for the same period. The actual figures may be different from the estimate. Please refer to the Prospectus for details. This figure may vary from year to year. The ongoing charges figure is capped at a maximum of 0.38% of the average NAV of the Fund. Any ongoing expenses of the Fund will be borne by the Manager and will not be payable by the Fund if such expense would result in the ongoing charges figure exceeding 0.38%.

Fund details³

Tracking index	Hang Seng China New Economy Index
Launch date	9 November 2021
Base currency	HKD
Stock code	3176.HK
Bloomberg code	HSCNETHN
Number of stocks held	114
AUM	HKD70.08 million
Estimated annual tracking difference ⁴	-0.43%
Management fee	0.25% per annum
Ongoing charges over a year ⁵	0.38%
Fund manager	Hang Seng Investment Management Limited
Trustee	HSBC Institutional Trust Services (Asia) Limited

Key risks:

- ◆ **Investment Risk:** the Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Fund may suffer losses. There is no guarantee of the repayment of principal.
- ◆ **Equity Market Risk:** the Fund's investments in equity securities is subject to general market risks, whose value may fluctuate due to various factors (e.g. changes in investment sentiment, political and economic conditions and issuer specific factors).
- ◆ **PRC Market and Concentration Risks:** the Fund's investments are concentrated in a specific geographical location (i.e. the PRC). The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments, and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the PRC market.
- ◆ **Risks relating to investments in "New Economy" companies:** concentration of the Fund's investments in "New Economy" companies may involve significant volatility and risks greater than those generally associated with more diversified funds. "New Economy" industries may be challenged by dynamic market conditions, new competing products and services, and rapid improvements in existing products and services. As such, valuations of companies from "New Economy" industries may be subject to significant instability and fluctuations in valuations.
- ◆ **Tracking Error Risks:** the Fund's performance may not track that of the Index exactly. This tracking error may result from the investment strategy used, exchange rate differences, fees and expenses. There can be no assurance of exact or identical replication at any time of the performance of the Index.
- ◆ **Trading Differences Risk:** differences in trading hours between the stock exchanges on which the Index constituents are listed, including the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NYSE American Stock Exchange and the NASDAQ Stock Exchange, and the SEHK may also increase the level of premium or discount of the Unit price to its NAV.
- ◆ **Passive Investment Risk:** the Fund is passively managed and the Manager will not have the discretion to adapt to market changes due to the inherent investment nature of the Fund. Falls in the Index are expected to result in corresponding falls in the value of the Fund.
- ◆ **Trading Risks:** the trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Therefore, the Units may trade at a substantial premium or discount to the Fund's NAV.
- ◆ **Termination Risks:** the Fund may be terminated early under certain circumstances, e.g. where the Index is no longer available for benchmarking or if the size of the Fund falls below RMB150 million. Investors may not be able to recover their investments and suffer a loss when the Fund is terminated.
- ◆ **Other risks:** including Currency and exchange rate control risk, Risks associated with investments in companies with weighted voting rights, Stock Connect Risks, PRC Tax Risks, U.S. Market Risks/ ADRs associated Risks, RMB Currency and Conversion Risks relating to RMB Denominated Securities, Distribution Out of Capital or Effectively Out of Capital Risk, Reliance on Market Maker Risks, Reliance on the Same Group Risk. **Please refer to the offer documents for further details including the risk factors.**

Important information

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Mutual fund investments are subject to market risks, read all scheme related documents carefully.

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